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Economic Facts and Fallacies (review)

Peter F. Orazem

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He makes the case for specific replications of the Value Project at a hypothetical medical college, a law school, and a business school. Among the reasons why the Values Project succeeded at Le Moyne (a) it has a small faculty; (b) a strong sense of common purpose and mission permeates the school; and (c) to a substantial degree, values are already shared across the institution. Many colleges also have those characteristics, and professional schools like those Kirby discusses have them also, to an extent.

However, to replicate the “grassroots” formation of the Values Project at Le Moyne would be daunting—almost impossible—at the typical public university with an overworked faculty, a collective bargaining agreement, and some classes that number 400 students. Influencing student values in an environment that may feel impersonal to students is hard to imagine. At such an institution, motivating faculty to engage an enterprise like the Value Project would be very difficult, and motivating students may well be even harder.

Also, in many institutional environments resources, are scarce for such activity. The investment of human capital may be challenging enough, but locating funds for implementing the project could be impossible at some institutions. Kirby acknowledges the challenge of finding resources and devotes an entire chapter to Le Moyne’s approach, but much of what he describes would be very hard to replicate at a different type of institution, particularly a public one.

Another key characteristic of Le Moyne College that significantly facilitated the implementation of the Values Project is its affiliation with the Society of Jesus. The Jesuit philosophy of education is unique, and the 28 Jesuit colleges and universities in the United States are committed to values formation. They engage in discussions of the real values challenges that our society faces.

Kirby references the assessment approach for the Values Project several times and cites an upcoming publication by a Le Moyne colleague focused on assessment strategies and outcomes of the project. It would have been useful had Kirby mentioned some of the salient student outcomes or effects of the project, if he had been able to do so without compromising his colleague’s work. The presentation of strong evidence of the Values Project’s results would likely be the best motivation for readers to try to replicate it.

On the whole, *Compass for Uncharted Lives* makes a very good contribution to the literature that is associated with applied values education in a college or university setting. It is practical and particularly useful for those wishing to replicate the Values Project in the right institutional setting.

Thomas Sowell. *Economic Facts and Fallacies*. New York: Basic Books, 2007. 272 pp. Cloth: \$26.00. ISBN: 978-0465003495.

REVIEW BY PETER F. ORAZEM, UNIVERSITY PROFESSOR OF ECONOMICS, IOWA STATE UNIVERSITY

The latest book by prolific author Thomas Sowell, the Rose and Milton Friedman Senior Fellow at Stanford University’s Hoover Institution, has two aims: to provide a list of widely held but demonstrably false economic beliefs and then to demonstrate their invalidity using hard facts. These economic beliefs come in six areas: the economics of cities, differences between men and women, differences among races, higher education, income inequality, and developing economies. He deals with each topic in a separate chapter.

The opening chapter lays out four fallacies: the zero-sum fallacy, the fallacy of composition, the chess piece fallacy, and the open-ended fallacy. The chess piece fallacy is never mentioned again, and the other three appear in only a single chapter each. If this typology of fallacies were useful, it would have been more important to the subsequent discussion. Instead, the introductory chapter seems strangely irrelevant to the understanding of what follows.

The other failing of the introduction is that it does not lay out a common template for evaluating these fallacies. As a result, the presentation of the fallacious beliefs and even the quality of the evidence varies greatly across the chapters.

The best of the chapters deals with income distribution. The beliefs to be tested are clearly enumerated at the start of the chapter, including the loss of the American middle class to the purported excess compensation of failed CEOs at the expense of stockholders and customers. The source of the incorrect beliefs is also clearly demonstrated: income stagnation is exaggerated by using household income because the average size of household has decreased even though per capita incomes have risen quite dramatically. Income inequality is exaggerated because a rising share of the population includes the retired elderly who have little income but substantial wealth. The vanishing middle class is shown to be a statistical artifact of rising median incomes. Golden parachutes for unsuccessful CEOs are paid precisely because it is worth so much to get them out of the firm. This chapter is clear, engaging, and tightly argued. Unfortunately, these adjectives do not apply to all the chapters.

The weakest chapter deals with higher education, the topic of greatest interest to the readership of this publication. The chapter is a compilation of loosely connected thoughts which may or may not be fallacies. The only explicitly stated fallacy

is that an Ivy League education is necessary for success. Is this a widely held belief? Or would it be more precisely stated that Americans believe an Ivy League education can contribute to success? Evidence purporting to illustrate the inaccuracy of this fallacy is limited to a statement that only 4 executives of the 50 largest U.S. corporations have an Ivy League education. This assertion ignores the math: If the Ivy League is responsible for 8% of CEOs of these largest corporations, that percentage is well above the Ivy League's share of all college graduates.

Furthermore, it is easy to come up with other equally isolated data sets that would "prove" the exact opposite. For the past 20 years, the U.S. president has been an alumnus of a single Ivy League school. Four of the five losing presidential candidates over that span were also Ivy Leaguers. Moreover, there are refereed journal articles that have examined the value-added of an Ivy League education much more rigorously, but Sowell has ignored them.

The rest of the chapter relies on equally unimpressive evidence. A statement that professors routinely accept kickbacks for adopting textbooks cites a single unnamed sales representative. A comment that curricula have been rendered meaningless for the convenience of the faculty is unsupported by any evidence at all. If an academic is not turned off by Sowell's disparaging attitudes toward the profession's integrity and work ethic, he or she certainly will be by Sowell's indifference toward the quality of the "facts" produced in evidence.

Of the remaining chapters, the discussion on urban economics is the best supported. The evidence that building restrictions are responsible for rising housing prices is compelling. Artificial constraints on building construction are shown to particularly disadvantage the poor. The chapter contains such nuggets as a refutation that current cities are overcrowded by pointing out that the population of Dallas is roughly the same as that of ancient Rome but that Rome had only 2% as much land as Dallas.

The chapters on racial differences and developing countries make heavy use of "culture" to explain economic outcomes. According to Sowell, Blacks are afflicted with "Southern Culture" which retards their success, even when they move north. The West has a culture favorable to development, a culture apparently lacking in the Third World. These arguments are not based on hard facts, as promised in the preface. Culture is not quantifiable, and assertions that culture is responsible for wage differentials or slow growth are not testable. In the end, these conclusions are just beliefs, no better than the fallacies they are meant to refute.

Sowell writes very well. The book, even while frustrating, is fun to read. The book is full of sur-

prising sources of inspiration. One cannot help but be charmed by discussions on urban sprawl that cite the Duke of Wellington, Pete Seeger, and Queen Elizabeth I. Nevertheless, the greatest frustration is that Sowell did not clearly state the fallacies in every chapter and then did not use the best evidence economists have to offer to demonstrate their invalidity. As a result, even though I am sympathetic to almost all of his conclusions, I am not convinced by the "facts" presented. I suspect that this assessment will be held even more strongly by the proponents of these fallacious economic beliefs whose views might have been shaken by a more judicious use of available evidence.

Donald Fisher, Kjell Rubenson, Jean Bernatchez, Robert Clift, Glen Jones, Jacy Lee, Madeleine MacIvor, John Meredith, Theresa Shanahan, and Claude Trottier. *Canadian Federal Policy and Postsecondary Education.* Vancouver, BC: The Centre for Policy Studies in Higher Education and Training (CHET), The University of British Columbia, 2005. 191 pp. Available online at http://www.chet.educ.ubc.ca/publications/Canadian_Federal_Policy.html.

REVIEWED BY BILLROY POWELL, SENIOR POLICY/PROGRAM ANALYST, THE ONTARIO MINISTRY OF TRAINING, COLLEGES AND UNIVERSITIES

The monograph, *Canadian Federal Policy and Postsecondary Education*, traces the federal government's role in policy development for postsecondary education over more than the past hundred years. In addition to this history, the authors identify the consequences and implications associated with federal policies with a specific focus on the government's difficulty in directly intervening in or supporting postsecondary education. The reason for this difficulty is that the Canadian Constitution assigns responsibility for non-Aboriginal education to the provinces.

The authors point out that the link between economic development and postsecondary education creates opportunities for the federal government to intrude, albeit indirectly, on the jurisdiction of the provinces, an activity that chagrins the provinces. Further, the authors explain that, despite the provinces' resolve to bar this jurisdictional intrusion, significant impetus for such interventions results from the federal government's interest in scientific research and technological development as mediums to enhance economic growth and prosperity and to strengthen Canada's ability to effectively participate in the global economy. One can understand the dilemma both levels of government face as a result of these circumstances: